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SOUTHERN DISTRICT OF CALIF.

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IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

CHRISTOPHER M. HANSEN,

Defendant.

'05 CV 0921 L

(NLS)

Case no.

COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER RELIEF

The United States of America, plaintiff, for its Complaint states as follows.

Nature of Action

1. The United States brings this complaint to enjoin Christopher M. Hansen, individually and doing business as or through any other entity, and any other persons in active concert or participation with him, from directly or indirectly:

- (a) Organizing, promoting, marketing, or selling any tax shelter, plan or arrangement that advises or encourages customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- (b) Making false or fraudulent statements about the securing of any tax benefit by the reason of participating in any plan or arrangement, including the false statements that only federal workers are subject to the Internal Revenue Code, workers need not submit accurate W-4 forms, and that United States citizens are not liable for federal income taxes;

- 1 (c) Encouraging, instructing, advising and assisting others to violate the tax laws;
2 (d) Engaging in conduct subject to penalty under 26 U.S.C. § 6700, *i.e.*, by making or
3 furnishing, in connection with the organization or sale of a shelter, plan, or
4 arrangement, a statement the defendant knows or has reason to know to be false or
5 fraudulent as to any material matter under the federal tax laws;
6 (e) Engaging in conduct subject to penalty under 26 U.S.C. § 6701, *i.e.*, preparing or
7 assisting others in the preparation of any tax forms or other documents to be used
8 in connection with any material matter arising under the internal revenue laws and
9 which the defendant knows will (if so used) result in the understatement of tax
10 liability;
11 (f) Engaging in any conduct that interferes with the administration and enforcement
12 of the internal revenue laws, including encouraging and assisting customers in
13 disrupting or delaying the IRS examination of their tax liabilities.
14 (g) Engaging in any activity subject to penalty under the Internal Revenue Code.

15 2. An injunction is warranted based on the defendant's continuing conduct as a promoter
16 of a fraudulent tax plan or arrangement. If he is not enjoined, the defendant's continuing actions
17 will result in the Internal Revenue Service having to devote scarce resources to pursue and
18 investigate the defendant's customers, who by participation in the defendant's scheme have filed
19 erroneous federal income tax returns and stopped paying the correct amount of federal income
20 taxes. The defendant's actions, if not stopped, may result in penalties and other civil and
21 criminal sanctions being imposed on those customers.

22 **Jurisdiction and Venue**

23 3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345, and §§ 7402(a)
24 and 7408 of the Internal Revenue Code of 1986 (26 U.S.C.; the "Code").

25 4. Venue is proper in this Court pursuant to 28 U.S.C. § 1391.

26 **Authorization**

27 5. This action has been requested by a delegate of the Secretary of Treasury and
28 commenced at the direction of a delegate of the Attorney General of the United States, pursuant
to Code §§ 7402 and 7408.

1 **Defendant**

2 6. Christopher M. Hansen resides at 11346 Camino Playa Cancun, # 7, San Diego,
3 California 92124.

4 **Defendant's Activities**

5 7. Hansen promotes a variety of tax-fraud schemes. He sells how-to guides – such as a
6 “Tax Defense Audit Manual” and “Tax Freedom Solutions Manual” – that are designed to help
7 customers frustrate or stop IRS examinations. The guides are filled with forms, instructions and
8 tactics to help customers illegally evade federal taxes. The prices for these guides range from
9 \$10 to \$40.

10 8. Hansen markets and sells sample form response letters for customers to use when they
11 receive specific correspondence from the IRS. The letters assert frivolous positions and are
12 designed to disrupt or hinder the enforcement of the internal revenue laws. Hansen charges
13 customers around \$50 for each letter and falsely tells customers that these form letters will cause
14 the IRS to cease the examinations of their liabilities.

15 9. The form letters Hansen sells are for customers to use to falsely notify the IRS that the
16 customers are not taxpayers and are not required to file tax returns and that the income tax laws
17 are not enforceable. The Hansen form letters also contain threats of criminal prosecution against
18 IRS employees designed to intimidate the employees and obstruct IRS investigations.

19 10. When the IRS audits Hansen's customers or otherwise contacts them, Hansen advises
20 them to assert frivolous positions and engage in disruptive and abusive tactics designed to
21 obstruct the audit so as to evade taxes. For example, Hansen provides a nearly 100-page
22 questionnaire entitled “Test for Tax Professional” for his customers to give to IRS agents who
23 are investigating the customers' fraudulent tax returns. The questionnaire contains numerous
24 frivolous questions. Hansen tells customers not to cooperate with the investigating IRS agent
25 until the agent completes the questionnaire.

26 11. In connection with promoting his schemes, Hansen has made the following false or
27 fraudulent statements:

- The Internal Revenue Code applies only within the “federal zone,” which Hansen defines as the District of Columbia and the federal territories and possessions.
- Federal income taxes, Form 1040, and the nation’s tax laws only apply to federal officers, federal employees, and elected officials of the national government.
- There is no law that imposes an obligation to pay federal income taxes or file federal income tax returns.
- Income from sources not connected with the conduct of trade or business with the United States government is not subject to income tax
- Income does not include wages, salaries, commissions or tips.
- Wages cannot be taxed.
- W-4 forms do not apply to federal income taxes.
- Only federal employees or federal officeholders need to complete Form W-4.

12. In addition to making false and fraudulent statements regarding the tax benefits associated with his programs, Hansen aids or assists in preparing false or fraudulent income tax returns for customers, or tells customers not to file a return at all.

13. According to Hansen, once a customer stops filing returns with the IRS, “it will be more difficult for them to find you [] because you won’t be feeding them any more information about you!” Hansen tells customers that the “very good and legal reasons for not filing” include creating the following problems for the IRS:

- You add considerably to the effort and the expense involved with collecting taxes from you.
- It is harder for the IRS to track you down because they don’t have a recent address or phone number off your tax return.
- They have no evidence they can use against you in a tax prosecution.
- You have severely limited their ability to prosecute you for fraud.

14. If customers file income tax returns, Hansen advises and helps them to file returns that falsely show only one cent of income and request a refund for payments made (or taxes previously withheld). He provides the customers material to attach to the returns that set forth his bogus arguments in support of the erroneous filing. The material is meant to “emphasize[]

1 your condition of being an informed American who won't take any bull crap" and "[e]stablishes
2 the unconstitutional nature of the income tax when applied directly on individuals."

3 15. Hansen also advises and assists customers to file inaccurate returns based on
4 numerous other false or fraudulent positions, such as—

- 5 • the "not for profit" claim wherein customers deduct the amount of their earnings;
- 6 • the "foreign earned income exclusion" theory wherein customers claim that
7 income earned outside the "federal zone" is nontaxable.

8 16. As part of his program, Hansen incites and assists his customers to file false IRS W-4
9 Forms (Employee's Withholding Allowance Certificate) and W-8 Forms (Certificate of Foreign
10 Status) so that the employer will wrongfully stop withholding taxes from the customers'
11 paychecks.

12 17. Hansen promotes the erroneous position that federal tax withholding only applies to
13 elected or appointed officers of the United States government. He provides detailed instructions
14 and forms to aid his customers' illegal efforts to evade tax withholding from their wages.

15 18. In addition to his other programs, Hansen markets a "Citizenship Administrative
16 Repudiation" program, in which his customers purportedly give up their "U.S. citizenship," but
17 retain or claim "American National citizenship." Hansen falsely tells customers that this results
18 in their not being liable for federal income taxes and puts them outside the scope of federal
19 jurisdiction. Hansen charges \$2,000 (for a single individual) or \$2,700 (per couple) for
20 participation in this program.

21 19. For a \$100 hourly fee, Hansen states that he will meet with customers for
22 administrative or consulting services and prepare their documents for them.

23 20. In support of his programs, Hansen provides his customers with fraudulent "opinion
24 letters" that he falsely claims are "useful as documentation of one's good faith belief in a lack of
25 liability to pay income taxes."

21. Hansen markets his programs through word-of-mouth, at seminars, and on the Internet, including on his websites www.famguardian.org and www.sedm.org. He invites customers to review his programs in order “to start your war with the tyrants at the IRS.”

22. Participation in Hansen's fraudulent programs result in customers' illegally failing to file appropriate federal income tax returns, failing to have the proper amount of federal income taxes withheld from wages, and failing to pay their federal tax liabilities. Furthermore, Hansen's programs are designed with the specific purpose of obstructing IRS investigations of his customers' illegal conduct.

23. Hansen is aware that courts have rejected his positions relating to the federal tax laws but blames this on “a judicial conspiracy to protect and expand the federal income tax.”

24. The IRS has notified Hansen that his program is under investigation, and that his conduct is subject to penalty under Code §§ 6700 and 6701 and subject to injunction under Code §§ 7402 and 7408. Despite this notice, Hansen has continued to market his programs and interfere with the administration and enforcement of the federal tax laws.

25. Hansen's programs have cost the United States substantial lost tax revenue, drained IRS resources, and subjected his customers to potential civil and criminal sanctions.

Count I

Injunction under Code § 7408 for violations of Code §§ 6700 and 6701

26. The United States incorporates by reference the allegations contained in paragraphs 1 through 25.

27. Code § 7408 authorizes a court to enjoin persons who have engaged in conduct subject to penalty under Code § 6700 or § 6701 from engaging in further such conduct or any other conduct subject to penalty under the Code.

28. Code § 6700 imposes a penalty on any person who organizes or sells a plan or arrangement and in so doing makes or furnishes a statement with respect to the allowability of any deduction or credit, the excludability of any income, or the securing of any tax benefit by

1 participating in the plan or arrangement that the person knows or has reason to know is false or
2 fraudulent as to any material matter.

3 29. Code § 6701 imposes a penalty on any person who aids in or advises with respect to
4 the preparation of any portion of a tax return or other document that the person knows or has
5 reason to believe will be used in connection with a material matter under the internal revenue
6 laws, and that the person knows would, if used, result in understatement of another person's tax
7 liability.

8 30. Hansen organizes and sells tax-fraud schemes. In connection with this Hansen
9 makes statements regarding the tax benefits associated with participation in the schemes that he
10 knows or has reason to know are false or fraudulent as to material matters within the meaning of
11 Code § 6700. Hansen thus engaged in conduct subject to penalty under Code § 6700.

12 31. Hansen aids or assists in, or advises with respect to, the preparation of customers' tax
13 returns, tax forms, and other documents, knowing (or having reason to believe) that such
14 documents will be used in connection with material matters arising under the internal revenue
15 laws. Hansen knows that the documents, if so used, will result in the understatements of the
16 customers' liabilities. Hansen has thus engaged in conduct subject to penalty under Code § 6701.

17 32. Unless enjoined by this Court, Hansen is likely to continue to engage in this conduct
18 and continue to organize and sell his abusive tax schemes. Injunctive relief is appropriate under
19 Code § 7408.

20 **Count II**
21 **Injunction under Code § 7402**

22 33. The United States incorporates by reference the allegations contained in paragraphs 1
23 through 32.

24 34. Code § 7402 authorizes courts to issue injunctions as may be necessary or
25 appropriate for the enforcement of the internal revenue laws.

26 35. Hansen, through the actions described above, has engaged in conduct that interferes
27 substantially with the administration and enforcement of the internal revenue laws.

36. Unless Hansen is enjoined, the IRS will have to devote substantial time and resources to identify and locate his customers, and then construct and examine their tax returns and liabilities. The burden of pursuing all individual customers may be an insurmountable obstacle, given the IRS's limited resources.

37. In the absence of an injunction backed by the Court's contempt powers, Hansen is likely to continue to obstruct and interfere with the enforcement of the internal revenue laws. The United States is entitled to injunctive relief under Code § 7402(a) to prevent such conduct.

Relief Sought

WHEREFORE, the United States prays for the following relief:

A. That the Court find that the defendant has engaged in conduct subject to penalty under Code §§ 6700 and 6701, and that injunctive relief is appropriate under Code § 7408 to prevent the defendant, and any business or entity through which he operates, and anyone acting in concert with him, from engaging in further such conduct or any other conduct subject to penalty under the Code;

B. That the Court find that the defendant has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against the defendant, and any business or entity through which he operates, and anyone acting in concert with him, is appropriate to prevent the recurrence of that conduct pursuant to the Court's powers under Code § 7402(a);

C. That the Court, pursuant to Code §§ 7402 and 7408, enter a permanent injunction prohibiting the defendant, individually and doing business through any other entity, and his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him, from directly or indirectly:

- (1) Organizing, promoting, marketing, or selling any tax shelter, plan or arrangement that advises or encourages customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;

- (2) Making false or fraudulent statements about the securing of any tax benefit by the reason of participating in any plan or arrangement, including the false statements that only federal workers are subject to the Internal Revenue Code, workers need not submit accurate W-4 forms, and that United States citizens are not liable for federal income taxes;
- (3) Encouraging, instructing, advising and assisting others to violate the tax laws;
- (4) Engaging in conduct subject to penalty under 26 U.S.C. § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of a shelter, plan, or arrangement, a statement the defendant knows or has reason to know to be false or fraudulent as to any material matter under the federal tax laws;
- (5) Engaging in conduct subject to penalty under 26 U.S.C. § 6701, *i.e.*, preparing or assisting others in the preparation of any tax forms or other documents to be used in connection with any material matter arising under the internal revenue laws and which the defendant knows will (if so used) result in the understatement of tax liability;
- (6) Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws, including encouraging and assisting customers in disrupting or delaying the IRS examination of their tax liabilities; and
- (7) Engaging in any conduct subject to penalty under any other section of the Internal Revenue Code.

D. That this Court, pursuant to Code § 7402, enter an injunction requiring defendant to produce to the United States a list of the names, addresses, e-mail addresses, telephone numbers, and social security or tax identification numbers of all persons who have bought his tax plans, arrangements, or programs, and to file with the Court, within 20 days of the date the permanent injunction is entered, a certification that he has done so;

E. That this Court, pursuant to Code § 7402, enter an injunction requiring defendant to contact by mail all persons who have bought his tax plans, arrangements, or programs, and inform those persons of the Court's findings concerning the falsity of the defendant's prior representations and attach a copy of the permanent injunction against the defendant, and to file with the Court, within 20 days of the date the permanent injunction is entered, a certification that he has done so;

F. That this Court, pursuant to Code § 7402, enter an injunction requiring defendant and his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him, to remove from his websites, including www.famguardian.org and

1 www.sedm.org, all tax-scheme promotional materials, false commercial speech, and materials
2 designed to incite others imminently to violate the law (including the tax laws), to display
3 prominently on the first page of those websites a complete copy of the Court's permanent
4 injunction, and to maintain the web sites for one year with a complete copy of the Court's
5 permanent injunction so displayed throughout that time;

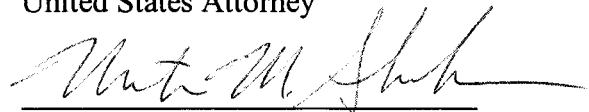
6 G. That this Court order that the United States is permitted to engage in post-judgment
7 discovery to ensure compliance with the permanent injunction;

8 H. That this Court retain jurisdiction over this action for purposes of implementing and
9 enforcing the final judgment and any additional orders necessary and appropriate to the public
10 interest; and

11 I. For such other and further relief as this Court may deem proper and just.

12 Respectfully submitted,

13 CAROL C. LAM
14 United States Attorney

15 
16 MARTIN M. SHOEMAKER
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18 Washington, D.C.